

## Message Text

SECRET

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
-----171315Z 113200 /43  
O 171003Z JUN 77  
FM AMEMBASSY SEOUL  
TO SECSTATE WASHDC IMMEDIATE 4582

S E C R E T SECTION 1 OF 2 SEOUL 5077

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FOR EA ONLY

EO 11652: GDS  
TAGS: MARR KS US MASS  
SUBJ: COMPENSATORY MEASURES

SUMMARY: THIS IS THE FIRST OF A SERIES OF MESSAGES I AM  
SUBMITTING FOR DEPARTMENT CONSIDERATION IN CONNECTION WITH THE  
DEVELOPMENT OF COMPENSATORY MEASURES TO OFFSET THE EFFECT OF  
U.S. GROUND FORCE WITHDRAWAL. THIS PARTICULAR MESSAGE CON-  
CERNS POSSIBLE ASSISTANCE LEVELS INCLUDING 2ND DIVISION  
EQUIPMENT THAT MIGHT BE TURNED OVER TO THE ROK AS GRANT MATERIAL.  
END SUMMARY.

1. I REALIZE THAT THE DEPARTMENT HAS BEEN BUSILY ENGAGED  
FOR SEVERAL WEEKS IN CONSIDERATION OF COMPENSATORY MEASURES  
THAT MIGHT BE TAKEN TO OFFSET THE CONSEQUENCES OF THE GROUND  
TROOP WITHDRAWAL. WE ALSO, OF COURSE, HAVE BEEN CONSIDERING  
THIS ISSUE AND ARE NOW TAKING THE LIBERTY OF SUBMITTING  
SOME THOUGHTS WHICH I HOPE MIGHT BE HELPFUL TO THE DEPARTMENT.

2. WE HAVENOT YET RECEIVED ANY SUGGESTIONS FROM THE ROKS  
ON COMPENSATORY MEASURES. WE HAVE THE IMPORESSION THAT  
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THEY ARE FINALLY ACTIVELY ENGAGED IN DEVELOPING THEIR  
VIEWS, BUT THESE IDEAS HAVE NOT IEACHED SUFFICIENT MATURITY  
THAT THEY ARE YET READY FOR DISCUSSIONS WITH US. ONE  
SOURCE HAS INDICATED THAT THE ROK STRATEGY VIGHT BE TO  
ADD TO THE CURRENT FIP LEVEL, A HARDWARE REQUIREMENT  
WHICH WOULD BE THE APPROXIMATE EQUIVALENT OF \$1.5 BILLION.  
PRESUMABLY, THIS FIGURE WAS REACHED ON THE BASIS OF THE

MODERNIZATION PLAN, VIEWED AS AN OFFSET TO THE 7TH DIVISION WITHDRAWAL. IN ANY CASE, I THINK IT IS A FAIR GUESS THAT ROK REQUESTS AND TOTAL MILITARY REQUIREMENTS WILL EXCEED ANYTHING WHICH WE MIGHT BE ABLE TO AFFORD. THIS IN PART RESULTS FROM THE DIFFERENCE OF PERCEPTION BETWEEN US AND THEM. WHILE WE VIEW THE CONSEQUENCES OF THIS 2ND DIVISION WITHDRAWAL AS CREATING A GAP IN THE UNC DEFENSIVE CAPABILITIES, THE ROKS VIEW IT AS A MAJOR LOSS OF DETERRENCE, REQUIRING MORE THAN ONE-FOR-ONE REPLACEMENT OF EQUIPMENT. HOWE BRIDGE THESE TWO CONCEPTS WILL BE OUR MAJOR TASK. HOWEVER, ONE SIGNIFICANT DIFFERENCE BETWEEN THE TIME THE 7TH DIVISION WAS WITHDRAWN AND TODAY IS THAT THE ROKG IS NOW MUCH BETTER ABLE TO PROCURE REQUIRED MILITARY SYSTEMS WITH THEIR OWN RESOURCES. WE WILL BE DISCUSSING THE ROK'S ECONOMIC SITUATION IN SOME DETAIL IN A SEPARATE TELEGRAM, WHICH WILL FOLLOW SHORTLY.

3. IN DEALING WITH THE SIZE OF THE PACKAGE THAT WE MIGHT BE ABLE TO AFFORD, THREE MAJOR FACTORS NEED TO BE CONSIDERED AND BALANCED OFF:

A. CONGRESSIONAL SENSITIVITY - THE PACKAGE MUST OBVIOUSLY BE SALEABLE TO CONGRESS AND THE AMERICAN PUBLIC. THIS IMPOSES LIMITS ON U.S. ASSISTANCE. THE DEPARTMENT IS, OF COURSE, IN A MUCH BETTER POSITION TO JUDGE THIS FACTOR.

B. MILITARY REQUIREMENTS - THE UNC COMMANDER HAS DEVELOPED A LIST OF HARDWARE REQUIREMENTS IRRESPECTIVE OF SOURCE OF FUNDING WHICH HE CONSIDERES TO BE ESSENTIAL FOR A "PRUDENT  
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RISK" POSITION. WE HAVE STARTED WITH THAT BASE WHICH, HOWEVER, WE UNDERSTAND IS NOW BEING REVIEWED BY JC.

C. CREDIBILITY - IT IS OBVIOUSLY ESSENTIAL THAT THE PACKAGE BE CREDIBLE TO THE ROK, ALTHOUGH I RECOGNIZE THAT WE WILL HAVE DIFFICULTIES IN BRIDGING DIFFERENCES OF APPROACH TO THIS ISSUE AND ROKS WILL HAVE TO MEET CONSIDERABLE PORTION OF REQUIREMENT FROM OWN RESOURCES. IN SPECIFIC TERMS THIS DIFFERENCE CAN BE ILLUSTRATED BY OUR ASSUMPTION THAT THE ROK WILL REQUEST FINANCIAL ASSISTANCE NOT ONLY FOR THE FORCE IMPROVEMENT FOR THEIR GROUND FORCES, BUT FOR THEIR AIR FORCE AND NAVY AS WELL. WE, ON THE OTHER HAND, HAVE ONLY CONSIDERED ASSISTANCE TO THE ROK ARMY. THE PACKAGE MUST ALSO APPEAR CREDIBLE TO OUR ALLIES AND FRIENDS, SOME OF WHOM HAVE ALREADY INDICATED CONCERN WITH OUR WITHDRAWAL PLANS. FINALLY AND PERHAPS MOST IMPORTANTLY, THE PACKAGE MUST APPEAR CREDIBLE TO NORTH KOREA SO THAT KIM IL-SUNG WILL NOT BE UNDER ANY MISUNDERSTANDING CONCERNING THE

SINCERITY OF OUR COMMITMENT TO THE SECURITY OF ROKG.

D. OTHER CONSIDERATIONS - THERE ARE SEVERAL FACTORS OF LESSER IMPORTANCE BUT NEVERTHELESS OF CONCERN. THE PACKAGE SHOULD NOT SUFFER TOO MUCH IN COMPARISON WITH WHAT THE UNITED STATES PROVIDED AFTER THE 7TH DIVISION WAS WITHDRAWN, ALTHOUGH TAKING IN ACCOUNT CHANGED CIRCUMSTANCES. AT THE SAME TIME, WE SHOULD NOT BE DRAWN ANY CLOSER INTO SUPPORTING THE FIP. WE SHOULD CONTINUE TO SUPPORT AN ANNUAL LEVEL OF FMS CREDITS OF APPROXIMATELY \$275 MILLION FOR THE NEXT FOUR YEARS, CONSIDERING THE COMPENSATORY PACKAGE ABOVE AND BEYOND THAT AS A EXTRAORDINARY MEASURE.

4. I WOULD SUGGEST THAT THE PACKAGE SHOULD INCLUDE THE FOLLOWING ASPECTS:

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A. AUTHORIZATION FOR THE TRANSFER OF WRN AT NO COST AT SUCH TIME AS THE PRESIDENT OF THE UNITED STATES CONSIDERS IT NECESSARY AND DESIRABLE. THE WRM PORTION OF THE PACKAGE COULD RANGE FROM \$1.3 BILLION TO \$2.6 BILLION, DEPENDING ON WHETHER IT IS STRICTLY RELATED TO MUNITIONS OR WHETHER IT ALSO INCLUDES MATERIEL. RELIEF FROM WRM COSTS WOULD GREATLY REDUCE ROK BURDEN AND SHOULD BE GIVEN FULL CREDIT BY ROKG.

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
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O 171003Z JUN 77  
FM AMEMBASSY SEOUL  
TO SECSTATE WASHDC IMMEDIATE 4583

S E C R E T SECTION 2 OF 2 SEOUL 5077

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FOR EA ONLY

B. TRAINING. THERE WILL BE A CRITICAL NEED FOR ADDITIONAL TRAINING FOR THE ROK MILITARY, PARTICULARLY IN THE MAINTENANCE OF THE NEW EQUIPMENT, WHICH THEY WILL PROCURE OR WHICH WILL BE TURNED OVER TO THEM. THEIR TECHNICIAN RESOURCES ARE ALREADY STRETCHED THIN AND THIS ADDITIONAL REQUIREMENT WILL PRESENT A MAJOR PROBLEM TO THE ROKG. OUR PRELIMINARY ESTIMATES SUGGEST THAT THE REQUIREMENTS FOR AUTHORIZATION/APPROPRIATIONS WILL BE APPROXIMATELY \$15 MILLION PER ANNUM FOR FIVE YEARS.

C. DEFENSE INDUSTRIES. I HOPE THAT WE CAN AS PART OF THE PACKAGE INDICATE OUR WILLINGNESS TO BE VERY FORTHCOMING ON PROVIDING TECHNICAL ASSISTANCE OR CO-PRODUCTION ARRANGEMENTS TO SELECTED AREAS IN THE ROK DEFENSE INDUSTRIES. THIS IS PARTICULARLY TRUE FOR THOSE INDUSTRIES THAT ARE PRODUCING ARTILLERY WEAPONS, VULCAN GUNS AND AMMUNITION. TANK PRODUCTION MIGHT ALSO BE A HIGH PRIORITY ITEM. THE COST OF THIS SEGMENT WILL BE RELATIVELY SMALL, IF ANY, BUT WILL REQUIRE CONSIDERABLE EFFORT ON OUR PART TO RECRUIT AND SEND TO KOREA THE BEST QUALIFIED PERSONNEL WE CAN FIND.

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D. LEGISLATIVE LANGUAGE. IN A SEPARATE MESSAGE, WE WILL BE FORWARDING SOME THOUGHTS ON LEGISLATION THAT MIGHT BE SENT TO CONGRESS. IT SHOULD PROVIDE AN OPPORTUNITY FOR BOTH THE EXECUTIVE AND LEGISLATIVE BRANCHES TO ONCE AGAIN GO ON RECORD IN SUPPORT OF THE SECURITY OF ROK.

E. HARDWARE ELEMENT. I SUGGEST THAT WE CONSIDER A MIXTURE OF GRANT MATERIEL FROM U.S. GROUND FORCES EQUIPMENT NOW IN COUNTRY AND NEW FMS CREDITS FOR ADDITIONAL WEAPON SYSTEMS. THE PRINCIPLE OBJECTIVE OF OUR ASSISTANCE SHOULD BE TO INCREASE THE FIRE POWER AND MOBILITY OF THE ROK ARMY. MILITARY JUDGMENTS WOULD INDICATE THAT AT THE PRESENT THAT IS THE GREATEST WEAKNESS OF THE ROK GROUND FORCES. THEY DO NEED ADDITIONAL ARMOR, ANTI-TANK WEAPONS, ARTILLERY AND HELICOPTERS. THEY ARE ALSO SHORT OF COMMUNICATIONS, COMMAND/CONTROL, AND SURVEILLANCE (I.E. RADAR) EQUIPMENT. THE ADDITIONAL HARDWARE THAT THE UNC IS RECOMMENDING WOULD HAVE BEEN REQUIRED BY THE ROK MILITARY IN ANY CASE, BUT BECAUSE OF THEIR FINANCIAL RESTRAINTS, THESE ADDITIONAL WEAPONS SYSTEMS WOULD PROBABLY HAVE BEEN PROCURED DURING THE SECOND FIP (1980-85). THE 2ND DIVISION WITHDRAWAL WILL REQUIRE ACCELERATION OF ROK PROCUREMENT ACTIONS. IN ADDITION TO ACCELERATED PROCUREMENT, THE MILITARY JUDGMENT

IS THAT THERE IS A REQUIREMENT FOR SOMEWHAT GREATER FIRE-POWER THAN MIGHT BE OTHERWISE NEEDED, IN ORDER TO BUILD UP THE DETERRENT POSITION. THIS IS PARTICULARLY TRUE IN AIR FORCE CAPABILITIES. WHEREAS GROUND FORCES SERVE BASICALLY IN A DEFENSIVE ROLE, THE AIR FORCE BOTH U.S. AND ROK (HOPEFULLY) WILL BE SEEN BY NORTH KOREA AS THE DETERRENT THREAT. INCREASED ROK AIR FORCE ABOVE FIP WOULD COME FROM KOREAN RESOURCES.

5. IN LIGHT OF THESE CONSIDERATIONS, WE HAVE DEVELOPED A NUMBER OF OPTIONS, WHICH BREAK OUT INTO THREE DISTINCT MODES:

A. MAXIMUM. UNDER THIS OPTION THE UNITED STATES WOULD  
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PROVIDE FMS CREDITS FOR THE PROCUREMENT OF ALL OF THE GROUND HARDWARE THAT THE UNC RECOMMENDS UNDER THE "PRUDENT RISK" CONCEPT. IT WOULD ALSO TURN OVER AS GRANT MATERIEL ALMOST ALL THE U.S. GROUND FORCE EQUIPMENT IN KOREA. (THIS INCLUDES BOTH DIVISIONAL AND NON-DIVISION EQUIPMENT.) THE ACQUISITION (NOT REPLACEMENT) COST OF THIS GROUND FORCE EQUIPMENT IS CURRENTLY ESTIMATED TO BE \$408 MILLION. THE ADDITIONAL FMS CREDITS ARE CALCULATED TO BE APPROXIMATELY \$1.6 BILLION (OR \$320 MILLION PER ANNUM).

B. MID-LEVEL. THERE ARE A NUMBER OF COMBINATIONS OF GROUND FORCE EQUIPMENT AND FMS CREDITS WHICH COULD BE USED TO ARRIVE AT A MID-LEVEL PACKAGE. FOR EXAMPLE, THE GROUND FORCE MATERIEL THAT MIGHT BE TURNED OVER COULD RANGE (AT ACQUISITION COST) FROM \$170 MILLION TO \$240 MILLION. SIMILARLY, THE FMS CREDIT LEVEL COULD RANGE FROM \$375 MILLION TO \$500 MILLION (\$75 MILLION TO \$100 MILLION PER ANNUM). TOTAL PACKAGE WOULD RANGE BETWEEN \$550 MILLION-\$750 MILLION.

C. MINIMUM. THE MINIMAL PACKAGE WOULD CONSIST OF GROUND FORCE EQUIPMENT COSTED OUT (AT ACQUISITION COST) AT \$170 MILLION. THE ADDITIONAL FMS CREDIT REQUIREMENTS

WILL BE APPROXIMATELY \$200 MILLION (OR \$40 MILLION PER ANNUM). IN A SEPARATE TELEGRAM, WE WILL BE SUBMITTING DETAILED PACKAGES FOR EACH OF THESE OPTIONS.

6. MY RECOMMENDATION IS THAT WE CHOOSE A MIDDLE-LEVEL OPTION CONSISTING OF U.S. GROUND FORCE EQUIPMENT TO BE TURNED OVER TO THE ROKS AS GRANT MATERIEL, WHICH IS VALUED AT APPROXIMATELY \$238 MILLION AT ACQUISITION (NOT REPLACEMENT) COST. I WOULD ALSO LIKE TO RECOMMEND, IF AT ALL FEASIBLE, A FMS CREDIT LEVEL OF \$500 MILLION WHICH, AS YOU KNOW, TRANSLATES INTO APPROPRIATIONS OF \$50 MILLION

(OR \$10 MILLION PER YEAR). THIS, OF COURSE DEPENDS ON

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DEPARTMENT'S JUDGMENT OF CONGRESSIONAL VIEWS. I RECOGNIZE THIS  
FIGURE IS ON HIGH SIDE, BUT, FROM OUR POINT OF VIEW, OF COURSE,  
THE HIGHER THE LEVEL THE MORE CREDIBLE OUR COMPENSATORY PACKAGE  
WILL BE.  
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## Message Attributes

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